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Approved by:
Randall Hager
U.S. Embassy

Prepared by:
Randall Hager

Report Highlights:
Growth in the domestic economy and insufficient domestic production of a range of foodstuffs opens up opportunities for American exporters of high value and other agricultural products to Armenia.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
[AM]

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SECTION I. MARKET OVERVIEW

Business Climate

The Armenian business environment, which includes liberal price and trade systems and straightforward business entry procedures, increasingly stimulates foreign investment. Promotion and development of small and medium size enterprises is a stated priority for the Government of Armenia, and this policy is considered to be a major engine for economic growth. There are no wage controls in the private sector, and the Government determines only the minimum wage of AMD[1] 5,000 (about USD 10 per month). Armenia has been a full member of the World Trade Organization (WTO) since February 2003.

Registering a business can be completed through a simple and short procedure of state registration, which normally takes about five days for legal entities and two days for individual entrepreneurs under the *Law on State Registration*. Some types of businesses are subject to additional licensing for health, safety, security, or environmental purposes under the *Law on Licensing.* A simple licensing requirement is applied to the production of food products, tobacco, and beverages. The *Law on Foreign Investment* ensures national treatment and protection of foreign investors' basic rights. It permits foreign investment in almost all spheres of the economy and provides a "grandfather" clause protecting investment against legislative changes for a period of five years. The opportunity for dispute settlement in Armenian and international courts as well as easy exit and full repatriation of revenue and property are guaranteed by law.

However, in some lucrative sectors such as brewing, mineral water bottling, production of soft drinks, tobacco, cognac, ice cream, and sparkling wine (where one or two of the largest producers control over 2/3 of the market)[2], there is a high level of market concentration, and some important commodity markets such as sugar and wheat are dominated by a few firms.

General perspective on market opportunities

Armenia is characterized by stable macroeconomic situation with a high growth rate, low inflation, and a stable exchange rate. In 2003 the economy grew at a rate of 13.9 percent, and average real growth during the most recent five years was over eight percent. Despite the considerable improvement of the current account position (the deficit was reduced by over 2.5 times during the most recent five years and was USD 190.6 million in 2003, or seven percent of GDP), the foreign trade deficit is still high and constitutes more than 20 percent of GDP.

The country suffers from an uneven distribution of wealth, high unemployment, and poverty. According to official statistics, roughly 42 percent of Armenia's population is poor, and about seven percent of the total population is very poor (i.e., average monthly consumption is lower than the food poverty line). A recent internationally sponsored study using consumption as a measure rather than income measures estimated the real poverty rate at 32 percent. In 2002, the official registered unemployment rate stood at 9.6 percent, while the rate of unemployment calculated in accordance with International Labor Organization (ILO) standards is three times higher.

The low level of income implies a high proportion of spending on food products. According to a recent survey on household spending conducted by the National Statistics Service (NSS), 64.6 percent of total household spending is used for food products, plus an additional one percent for alcoholic beverages and over five percent for tobacco.

The size and structure of consumer foods and edible fishery product market

In 2001, the value of retail food trade was about AMD 346 billion (about USD 690 million). The share of food products in total retail trade was 68.5 percent, with the main food products given by the following shares (in percentages) as follows: meat and meat products – 6.7; fish and fish products - 0.15; oils of animal origin – 2.5; vegetable oils – 1.3; margarine – 0.58; fats – 2.18;

[1] AMD stands for the local currency – Armenian Dram
[2] Source: State Commission for Protection of the Economic competition (2001).

diary products – 0.58; cheese – 0.3; eggs – 0.3; sugar – 0.87; confectionary – 1.0; tea – 0.58; bread – 55.5; flour – 3.0; macaroni – 0.58; potato – 0.3; vegetables – 0.15; grapes, fruits and melons – 0.3; alcoholic beverages – 4.0. The country is a net food importer, with high dependency on food imports

During the most recent three-year period, the consumer food product market has been growing at an average rate of ten percent. The size and dynamics of main food product markets (including edible fish) is presented Table 1 below.

Table 1. Market size of selected food products for 2001-2003

Product	Unit	Imports			Exports			Domestic production			Market size = (Imp.+D.P.) -Exp.		
		2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Beef	Tons	7162	7663	9658	0	0	594	25080	24432	23996	32242	32095	33061
Pork	Tons	597	620	965	0	19	0	7360	6934	7042	7956	7535	8007
Poultry	Tons	12923	11755	12480	0	0	0	1600	3695	4368	14523	15450	16848
Fish	Tons	248	219	188	73	454	10	682	746	-	857	512	178
Butter	Tons	3830	3303	3605	0	0.2	0	17.7	28	48	3847.2	3331	3652
Cheese	Tons	157	180	253	41	96	1003	4767	4812	5007	4882.5	4896	4258
Coffee	Tons	10276	10587	9976	74	607	1831	0	0	0	10202	9979	8145
Wheat	Tons	294960	330519	304037	0	30	21	241679	284673	216677	536639	615162	520693
Bread	Tons	0	0	0	0	0	0	297292	294349	293051	297292	294349	293051
Rice	Tons	11076	14071	15686	0	0	0	0	0	0	11076	14071	15686
Flour	Tons	24663	14241	6097	80	0.8	0	111873	108489	131391	136456	122730	137488
Eggs	Mill. item	5.2	2.9	0.4	14	15.5	33.2	448	478	502	440	465	468.8
Plant oil	Tons	13118	12097	18610	0	0.2	433	261	1167	2122	13379	13264	20298
Margarine	Tons	2370	3249	4884	58	0.6	0	0	0	0	2311.5	3248.5	4884
Sugar	Tons	73445	68400	86963	20	0	0	0	0	0	73425	68400	86963
Macaroni	Tons	1468	1254	1996	0.5	0.1	1.1	659	848	903	2126.5	2102	2898
Wine	000' liter	59	62	22	1372	711	217	6393	6535	2042	5080	5886	1847
Ethil spirit	000' liter	0	0	160	0	0	0	2358	1912	1177	2358	1912	1336
Cognac	000' liter	7	1.8	2	4803	5899	7302	5026	6145	7093	230	-	-
Vodka	000' liter	289	640	1198	137	108	128	9427	10598	11105	9579	-	12175
Canned fruits and vegetables	000' cans	-	-	-	-	-	-	-	52649	89629	-	-	-
Tobacco	000' box	100583	84482	98643	24306	8018	9682	81150	140755	161095	157426	217220	250056

Key demographic developments

The population of Armenia is highly homogeneous with Armenians constituting 98 percent of population. According to the 2001 population census, the permanent population of Armenia as of January 1, 2003 was 3.21 million people, with urban share at 64.2 percent. About 53.4 percent of the urban population (or over one million people) lives in Yerevan.[3]

Twenty-eight percent of the total population is under the working age (children of 0-16 years of age), and 9.7 percent is 65 years or over. The age structure of urban and rural population differs considerably. For example, the proportion of children in rural areas is 32.9 compared to 26.8 in urban areas. However, on reaching working age, many young people move from rural to urban areas to continue their education or to find a job. The proportion of working age population in urban areas exceeds that of rural areas by 7.3 percent, while the proportion of children and elderly population is higher in rural areas, and the social burden per 100 people of working age in rural areas is 76 dependants compared to 55 in urban areas.

One of the key implications of Armenia's demographic situation is that the consumer market is highly concentrated in urban areas, mostly in Yerevan, the capital of Armenia. The per capita purchasing power is higher in urban areas. The Yerevan market is also characterized by generally higher consumer awareness, including awareness of quality requirements for food products.

ADVANTAGES AND CHALLENGES FOR U.S. EXPORTERS

A summary of the main advantages (strengths and market opportunities) and challenges (weaknesses and competitive threats) facing US exporters in Armenia is presented in table 2 below.

Table 2. Summary of Advantages and Challenges Facing US Exporters

Advantages	Challenges
Availability of skilled and inexpensive labor force.	Landlocked country with few transportation routes and high transportation costs, plus a transportation blockade.
In general, liberal market and investment-friendly environment.	Competition with domestic producers as well as with relatively cheap food imports from Russia and other CIS countries, as well as Iran and Turkey.
Armenia is net food importing country. Domestic producers are not able yet to satisfy the demand for such products as meat and poultry products, sugar, flour, soft drinks, alcoholic beverages, rice, plant oil, and grocery and high value food products.	Competition with high-quality, relatively expensive imports from European countries.
Presence of a large Armenian Diaspora in large Russian cities, which can serve as a good business and marketing link.	
Presence of a significant Armenian Diaspora in the United States, with opportunities for joint ventures.	

[3] The population outside Yerevan is predominantly rural. Other large cities of Armenia are: Gyumri, Vanadzor, Vagharshapat, Gavar and Hrazdan with 7.3, 5.2, 2.7, 2.8, 2.6 percent of urban population, respectively.

SECTION II. EXPORTER BUSINESS TIPS

Business practices

In general, Armenians possess a strong entrepreneurial spirit. As a rule, business relationships are closely linked to personal relationships, and may frequently be accompanied by visits to homes and historic sites in the countryside, wining and dining, as well as gift giving. Remnants of the Soviet mentality and working style still exist, especially with Armenians over 40 years of age. This often is manifested in slow replies to business correspondence, unwillingness of mid-level officials to provide information, and other delays.

Foreign businessmen may encounter problems related to the differences in language interpretation and understanding of some business terminology and customs. There are some Western business concepts and customs that are completely new for Armenia. Therefore, it is very important to ascertain (and double check) that the content of communications, negotiations, and agreements with Armenian partners is thoroughly understood and/or similarly interpreted.

Pricing is largely determined by supply and demand. Some of the factors that continue to contribute significantly to pricing decisions are the low purchasing power of Armenians, high transportation costs, limited competition, or absence of locally manufactured products in many categories.

General consumer tastes and preferences

According to NSS, the food basket (the cost of one-month supply of basic food products) for 2003 was AMD 7,742. An important feature of the Armenian diet is that bread, bakery products, and potatoes are still the most important components, representing about 40 percent of retail food trade. However, there is a clear decreasing trend for the proportion of bread and potatoes, and increasing trend for the proportion of meat and meat products, animal fats, and eggs.

Table 3. Average per capita Annual Consumption of Main Food Products

	1996	1999	2001	2002
Bread and bakery (kg)	195.8	174.0	166.0	159,7
Potato (kg)	70.2	49.2	43.6	39,9
Vegetables (kg)	21.2	55.2	60.8	60,7
Fruits and grapes (kg)	19.2	28.8	32.8	29,5
Sugar (kg)	6.2	7.2	5.8	5,8
Plant oil (liter)	2.4	2.4	2.8	2,5
Meat and meat products (kg)	8.0	12.0	13.9	15,8
Cheeses, all sorts (kg)	4.6	6.4	7.2	7,8
Milk and yogurt (liter)	16.6	20.2	18.7	21,6
Butter (kg)	1.3	1.2	1.4	3,5
Egg (million items)	55	70	86	91,7
Fish and fish products (kg)	5.5	4.8	4.8	4,6

Food product demand is highly price elastic. For the majority of Armenians, the decisive factor affecting the choice of products is price, and thus food quality and safety issues are less important for consumers. Traditionally, Armenians prepare homemade preserved food (canned fruits and vegetables, and also meat) for winter. Therefore, the demand for such products is low (excluding juices, for which there is high demand). The tradition is changing slowly, especially in young families with stable and relatively high income.

Food standards and regulations

Armenia applies the metric system of weights and measures. Most of the standards applied include old Soviet State Standards (GoSTs) or CIS (Commonwealth of Independent States) interstate standards (over 18,000 standards). Under the WTO, Armenia committed itself to complete the process of standards harmonization with internationally accepted rules by the end of 2004, though this task will be difficult to complete. The State Quality Inspectorate under the Ministry of Trade and Economic Development (SARM) accepts ISO 9001 and ISO 9002 business management standards.

Armenia is a member of *International Organization for Standardization (ISO)* and the *Euro Asian Council for Standardization, Metrology and Certification (EASC)*. For the preparation, adoption and application of standards, Armenia follows the WTO's TBT Code of Good Practice. The main legislative acts regulating the fields of standardization and conformity assessment (certification) are: the *Law on Standardization,* the *Law on Conformity Assessment,* the *Law on Uniformity of Measurements, Government Decree No. 9, 11 January 2000*.

Armenia is a member of the *International Codex Alimentarius* commission and of the *International Epizootic Office* and follows their standards and guidance in establishing procedures on food safety, veterinary and phytosanitary controls for importation and exportation *(Law on Food Safety, Law on Veterinary,* and the *Law on plant Protection and Plant Quarantine)*. Sanitary requirements are established by so called "*SanPins" (Sanitary and Hygienic Rules and Norms)*, issued by the Ministry of Health of Armenia. These requirements, among other things, place limits on the amounts of toxic compounds, additives, and contaminants in foodstuffs.

On health and hygiene grounds, as well as for protection of consumer rights, there are mandatory conformity assessment (mandatory certification) requirements applied to a range of foodstuffs, alcoholic and non-alcoholic beverages, and tobacco products (*Government Decree No. 239, 12 May 2000*). Certification schemes applied in Armenia *(*fixed by *AST 5.3* standards*),* are in compliance with internationally accepted rules, and include such methods as testing of samples, analysis of production systems, quality system certification or declaration of suppliers.

Simplified procedures are applied for the recognition of foreign certificates if the Armenian authorities are satisfied that certification procedures in foreign countries offer adequate assurance of conformity, and the safety requirements and norms conform to those in force in Armenia *(Government Decree No. 247 of 18 May 2000).* Certification procedures for most products (except pharmaceuticals) normally take 2-3 days and may involve a laboratory test and a fee.

There is an agreement between the United States Department of Agriculture (USDA) and SARM via exchanged letters that SARM agrees to recognize USDA safety certificates for meat and poultry products and take into consideration manufacturer certificates for other products.

Table 4. The List of Products Subject to Mandatory Certification

Product Description	CN code
Meat of bovine animals, frozen.	0202
Meat of swine, frozen	020321-020329
Edible offal of bovine animals and swine, frozen	020621 000, 020622, 020641
Meat and edible offal of poultry, frozen	020712, 020714, 020725, 020727, 020733, 020736
Pig fat	020900 110
Meat and edible meat offal, salted, in brine, dried or smoked	0210
Fish, fish meat, frozen, dried, salted, smoked	0303, 030420, 0305
Milk and milk products	0401, 0402, 040310, 040510, 040590, 0406
Birds' eggs	040700
Natural honey	040900 000
Peas, chickpeas, lentils	0713-071340
Bananas, dates, pineapples, dried grapes, melons, dried fruit	080300, 080410 000, 080430 000, 0805, 080620, 0807, 0813
Coffee, tea	0901, 0902
Rice	1006
Cereal flours	110100, 1103
Soya-bean, olive, sunflower-seed, maize oil	150710 900, 150990 000, 151219 910, 151529 900
Animals and Vegetable fats and oils, margarine	1516, 1517
Preparations of meat, fish or crustaceans, mollusks and other aquatic invertebrates	1601-1605
Sugar, sugar confectionery	1701, 170290, 1703, 1704
Cocoa, preparations containing cocoa	180500 000, 1806
Baby food	190 110 000
Preparations of cereals, flour, starch and milk, pastry cooks' products	1902-1905 (ex. 190590 300)
Preparations of vegetables, fruit, nuts or other parts of plants	2001-2009
Miscellaneous edible preparations, yeast, ice-cream, cheese fondues	2101-2105, 210690 100
Beverages, spirits and vinegar	2201-2209
Tobacco and manufactured tobacco substitutes	2401-2403
Table salt	250 100 910

Before finalizing any transaction, food exporters should know the labeling requirements regarding food products. Labels must include the manufacturer's name, contents, weight, and the expiry date. There is a language requirement for imports of some (mainly food) products. That is, Armenian is the required language, though a sticker or other materials in a second language can be applied directly to the product or package. The complete list of labeling requirements may be obtained from the SARM, and companies wishing to obtain bar codes for their products should make an application to that organization.

General import and inspection procedures

The main legislative act regulating customs matters is the *Customs Code*. Armenia's tariff regime is liberal, applying *ad valorem* customs duties of from zero to ten percent on imports, and no duties on exports. Armenia uses the international Harmonized Commodity Description and Coding

System (HS). As a general rule the zero percent rate is applied to capital goods and inputs, and ten per cent rate is applied to goods imported for final consumption. A uniform customs fee of about USD 6.50 for customs processing and specific weight related fee of USD 0.55 per ton for freight inspection are applied to imports. There are two taxes imposed on imports and domestic production, the value added tax (VAT), and services and excise tax on certain goods. The VAT for most imported products is collected by the customs service at the border.

There are few exceptions from the *ad valorem* rule, namely for tobacco and alcoholic beverages.

Table 5. Specific Duties for Tobacco Products *(Law on Fixed Charges for Tobacco Products)*

CN Code	Description	Rate (USD for 1000 items) for imported products	Rate (USD for 1000 items) for domestic products
2402 10 001	Cigars	3000	2200
2402 100 09	Cigarillos	30	22
2402 20 900	Cigarettes with filters	11	8
2402 20 910	Cigarettes without filters	6	3.5

Table 6. Specific Duties for Alcoholic Beverages

CN Code	Brief Description	Unit Measure	Rate (AMD)*
2203	Beer	1 liter	50
2204	Grape wines	1 liter	100
2204 10	Sparkling wines	1 liter	75
2205	Vermouth and other wine of fresh grapes flavored with plants and aromatic substances	1 liter	140
2206	Other brewed drinks (for example, cider, Perry, mead)	1 liter	60
2207 2208	Ethyl spirit Spirit drinks, including	1 liter (by recalculation of 100% spirit)	70
220820	Made from distillation of grape wine and wine ingredients (cognac, armagnac, etc)	1 liter (by recalculation of 100% spirit)	1100
220830	Whiskies		370
220840	Rum and tafia		420
220850	Gin and Geneva		450
220860	Vodka		240
220870	Liquor, and fruit vodka		600
220890	Other		240

*AMD stands for the local currency – Armenian Dram.

The primary method for determination of the customs value is transaction value. The Customs Code provides for the same six methods of valuation laid out in the WTO Customs Valuation Agreement. The rules of origin of goods are also in compliance with the WTO Agreement on Rules of Origin. However, importers may face additional documentary requirements, which may create difficulties related to discretionary treatment by customs officers when using the customs valuation method.

There is no limit on hard currency imports to Armenia, but amounts over USD 10,000 must be reported. Personal belongings are imported duty free. Persons arriving in Armenia for permanent residence can import their belongings duty free. Procedures and documentary requirements with respect to importation are summarized in the table below.

Table 7. Summary of Import Procedures and Requirements

	Importation	Products affected
General requirements	a) an invoice; b) a contract; c) consignment documents; d) a certificate on the country of origin (if importers or exporters ask for preferential treatment).	All products
Mandatory certification	Certificate issued by SARM on conformity of the goods with Armenian requirements.	Products subject to mandatory certification (Government Decree No 239, 12 May 2000).
Phytosanitary control	a) a phytosanitary certificate issued by the Phytosanitary Service of the exporting country; b) decision on conformity with phytosanitary requirement given by the Plant Quarantine Service of the Ministry of Agriculture.	Plants and products of plant origin (Government Decree No. 171, 11 March, 1998).
Veterinary control	Decision on conformity with veterinary requirements given by the Veterinary Service of the Ministry of Agriculture. Representatives of the Veterinary Service are available at the customs border	Animals and products of animal origin (Government Decree No. 171, 11 March, 1998)
To perform customs clearance business entities must be registered in their respective regional customs house as an entity involved in foreign economic activity.		

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

<u>Qualitative assessment of market opportunities in the retail, HRI food service, and food processing sectors</u>

Retail trade

The retail industry in Armenia is primarily driven by the private sector. The majority of retail (as well as wholesale) trade in terms of volume, 80.5 percent, is concentrated in Yerevan, while only 44 percent of 12,754 business entities involved in retail trade are located in there. The volume of retail trade in 2001-2003 is represented below. In 2001, the proportion of retail food trade was 68.5 percent of total retail trade (the proportions for 2002 and 2003 did not change considerably).

Table 8. Retail Trade Market (2001-2003)

	2001	2002	2003
Retail trade volume (AMD billion)	504.3	588.9	710.2

The demand for consumer products, including food, is satisfied through sales in stores, open markets for food and non-food products, and kiosks (jointly representing about 99 percent of retail trade). During recent years, stores situated in fixed structures took over the leading position from open-air markets in terms of sales volume. In 2003, the proportion of food product sales through stores was over 52 percent of total sales (open-air markets – 37.7, and kiosks – 8.9 percent). The number of retail outlets, especially small-sized food providers has been growing rapidly. The majority of these stores employ from three to ten people. They operate largely on a consignment basis with various wholesalers, although importers themselves own some outlets. Most of the retail transactions are conducted through cash payment, because credit card and check payments are not common in Armenia. Domestic/international company-to-company sales are typically conducted through bank transfer (especially in the state sector), or letters of credit.

In large open-air markets, hundreds of individual vendors offer relatively inexpensive food and other consumer products. Many of them take individual “shopping-tours” to countries such as Turkey, the UAE, Iran, and China on a regular basis to buy products for resale in Armenia. Some of these open-air markets, especially those trading food, serve also as wholesale markets for retailers. There are around 30 such open markets in Yerevan. Though prohibited by law, vendors readily accept US dollars, especially for expensive items.

Food processing

Armenia is famous for its fruits and vegetables, which, thanks to the country's soil and climatic conditions, high altitude, and low use of chemicals, are ecologically clean and flavorful. The food processing industry is one on the fastest growing industries in Armenia, representing more than half of the country’s industrial output in 2003. The main products are soft drinks, mineral water, cigarettes, alcohol, canned fruits and vegetables, milk and dairy products, meat and meat products, mixed feed, flour, and bread. Establishing a food processing business and/or joint venture in this sector would be one of the best approaches for entering the Armenian market, which would also open opportunities for exporting to CIS countries and other countries. With modern processing and packaging technologies, Armenian fruit and vegetable products can successfully enter international markets. Most of Armenia’s food processing plants are actively looking for foreign partners to increase their exports.

However, agricultural producers and the food processing industry are yet unable to satisfy the demand for number of important commodities. More than 70 percent of all food consumed in Armenia is imported. Imported foodstuffs are mainly of Iranian, Turkish, Russian, United Arab Emirates (UAE), European, and US origin. A significant portion of commercial imports from the US is meat and poultry products, grocery items, and alcoholic beverages.

Tourism sales, holiday gift sales, and Internet sales

The tourism sector is developing quickly. According to the Ministry of Trade and Economic Development, gross income from tourism was about USD 164 million in 2001. In 2003, over 206,000 foreign visits were made to Armenia, an increase of over 27 percent compared to 2002. About two dozen new high-quality service hotels and hotel-like lodgings were opened during the period of 1998-2002 (from 1,600 hotel beds to about 2,300). Considerable investments have been made for improving the tourism infrastructure, including renovation of museums and cultural sites, and roads.

The biggest and the most important gift sales take place during New Year and Christmas holidays, noting that Armenians celebrate Christmas after the New Year, on 6th of January, and that the New

Year is much more important for sales purposes. Sales via the Internet are a quite new practice in Armenia and are not yet popular.

The restaurant business

Restaurants are an attractive investment and partnership opportunity for US firms. Franchise offers from well-known American chains will be of interest to local companies as well. The number of restaurants and catering businesses has been rapidly expanding, pushed by growing demand. Most of the growth is taking place in Yerevan, which is experiencing a real boom in the restaurant business. While no well-known chains have been established in Armenia so far, the fast-food concept is gaining popularity. Recently opened restaurants also offer international cuisine: Chinese, French, Indian, Italian, Lebanese, Mexican, and others.

Promotional / marketing strategies and tactics

Advertising in Armenia is rapidly gaining in popularity. The official language for advertising is Armenian *(Law on Advertising),* but Armenian text may be accompanied by foreign language text in smaller script. This provision does not cover newspapers, special publications, trademarks, etc., that are issued or printed in foreign languages. An advertisement may be copyrighted under Armenian law. The law prohibits advertisements promoting the stimulating or relaxing effects of alcohol and cigarettes.

Television accounts for the majority of the advertising industry's market share. Locally made TV ads are usually of low quality, and the Armenian audience is more receptive to ads placed on Russian channels (ORT, Perviy Kanal and Rossiya) available in Armenia that feature world-class advertising. More ads are being placed on private Armenian TV channels, which are growing in number. A few private FM radio stations are also aggressively entering the market.

Diaspora and expatriates

The Armenians have a quite sizeable Diaspora in various countries all over the world, which plays an increasingly important role in Armenia's economy and business life. According to a recent NSS survey about 20 percent of household monetary income is attributed to transfers, mostly from Armenians working abroad and sending money home to family members.

Diaspora-Armenian interrelationships are active and are becoming more intensive, particularly in business. There are number of ambitious all-Armenian non-commercial projects and funds financed by Armenian communities abroad. Diaspora representatives are also active in establishing business presence and investing in Armenia.

The Armenian Diaspora in Russia and in the United States are among the biggest, estimated numbers are about two million and one million, respectively. Close ties to the United States through the Armenian-American Diaspora, accompanied with strong entrepreneurial spirit, provides attractive prospects for joint venture partners and other business linkages with the United States. This creates wide range of opportunities for business cooperation including the establishment of joint ventures in Armenia. Particularly, they can create a good marketing linkage in the case when companies invest in food processing and wish to import raw materials from the United States. An important opportunity for doing business in Armenia is created also by the presence of American-Armenians permanently residing in Armenia, who can serve as a good contact point and provide good linkages with local businessmen.

SECTION IV. BEST PRODUCT PROSPECTS

Table 9. Information on selected food products with outstanding export opportunities

category	Unit	Market size in 2003	Imports			Imp. tariff rate			Key constraints over market development	Market attractiveness for USA
			1999	2000	2001	2002	2003			
1	2	3	4	5	6		7	8	9	10
Beef	Tons	33061	1580	6252.5	7162	7663	9658	10	Competition with domestic producers.	Domestic producers are not able yet to satisfy demand. There is also demand by industrial users.
Pork	Tons	8007	756	1189	596	620	965	10	Competition with domestic producers.	
Poultry	Tons	16848	16677	14310	12923	11755	12480	10	Competition with domestic producers, and imports from other countries (Brazil).	Domestic producers are not able yet to satisfy the demand.
Fish	Tons	178	45	55	248	220	188	10	Competition with imports from Russia, Baltic States, and others.	Armenia has limited variety of own production. There is modest demand for fish products not indigenous to Armenia.
Butter	Tons	3652	4229	3646	3830	3303	3605	10	Competition with imports from European countries, Russia, and others.	Minor domestic production.
Coffee	Tons	8145	6538	7926	10276	10587	9976	10		
Wheat	Tons	520693	228250	366050	294960	330519	304037	0	Competition with imports from Russia, and a highly concentrated domestic market.	Armenia is a traditional importer of wheat. Demand will increase with the development of local livestock production as well as with the tendency among farme rs of moving from wheat production to other crops.
Rice	Tons	15686	12698.5	12071	11076	14071	15686	0		No domestic production.
Vegetable	Tons	20298	11055	11918	13120	12097	18610	10	Competition with	Insignificant domestic production.

category	Unit	Market size in 2003	Imports			Imp. tariff rate			Key constraints over market development	Market attractiveness for USA
oil									imports from Russia, Iran, and others.	
Margarine	Tons	4884			2370	3250	4884	10		No domestic production.
Sugar	Tons	86963	68150	69814	73445	68400	86963	10	Competition with imports from Brazil, and a highly concentrated domestic market.	Armenia is a traditional importer of sugar. No domestic production.
Macaroni	Tons	2898	10826.5	7849	1468	1254	1996	10	Competition with imports from Europe (Italy), Russia, and others.	Domestic production is of relatively low quality.
Alcoholic beverages	000' liter	15600	807.9	304.5	355	703.8	1382	-	Competition with imports from European countries.	There is demand for alcoholic beverages other than beer, wine, cognac, and vodka.
Tobacco	000' box	250056	53537	111393	100583	84482	98643	-		
For most products, a general constraint to exporting to Armenia is the price constraint related to the high transportation costs.										

Annex I: General statistical information

Table 10. Selected Statistical Information (2001-2003)

	2001	2002	2003
Agricultural imports from all countries (USD Mill)/US market share (%)	-	-	-
Consumer food imports from all countries (USD Mill)/US market share (%)	-	-	-
Edible fishery imports from all countries (USD Mill)/US market share (%)	-	-	-
Total population (millions)/annual growth rate (%)	-	3.21	-
Urban population (millions)/annual growth rate (%)	-	2.06	-
Number of metropolitan areas Size of middle class (millions)/growth rate (%)	1 -	1 -	1 -
Per capita gross domestic product (USD)	680	737	871
Unemployment rate (%)	10.4	9.4	9.8
Per capita food expenditures (USD)	167	-	-
Percent of female population employed	-	43.4	-
Exchange rate (USD 1 = AMD)	555.07	573.35	578.77

Statistics on consumer food and edible fishery product imports from the world and the USA for 1998-2002 are represented in the table below.

Table 11. Agro-food Imports, by Main Trading Partners, percent (1998-2002)

	1998	1999	2000	2001	2002
Russia	3.3	2.2	3.0	4.9	23.1
Iran	6.7	14.2	14.2	15.1	11.9
Ukraine	0.8	1.1	2.4	6.8	9.6
USA	14.3	12.2	15.1	6.3	5.1
Georgia	1.9	3.0	2.2	1.1	3.5
Turkey	10.9	7.1	3.3	3.4	3.5
Italy	8.0	2.8	3.8	6.4	4.4
France	5.9	1.9	3.6	2.5	1.3
UAE Brazil	6.4 0.1	5.9 0.0	3.4 0.0	3.2 0.1	3.3 8.0
Germany	4.0	3.7	8.6	5.4	4.0
Others	37.7	45.9	40.4	44.8	22.3
Total	100.0	100.0	100.0	100.0	100.0

The United States was the largest exporter of agro-food products into Armenia in 1998, the main export product being cereals (wheat). The position was taken over by Russia, Iran and Ukraine, and the decisive factor in this shift was price (in 2001-2002 the price per metric ton of wheat from the USA was USD 171-173, against USD 130-133 per ton of wheat from Russia, Ukraine and Georgia. The price factor was decisive also in the case of Brazil taking over (from the UK) the leading exporter position for sugar into Armenia.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Contact Information for FAS Offices in Russia and in the United States:

Eric Wenberg, ATO Director
Olga Taybakhtina, Marketing Assistant
U.S. Agricultural Trade Office
American Embassy
Bolshoy Devyatinskiy Pereulok 8
121099 Moscow, Russia
Tel: 7 (095) 728-5560; Fax: 7 (095) 728-5069
E-mail: atomoscow@usda.gov

For mail coming from the U.S.:

Agricultural Trade Office
PSC 77 AGR
APO, AE 09721

For international mail:

Agricultural Trade Office
U.S. Embassy - Box M
Itainen Puistortie 14
00140 Helsinki, Finland

General Information on FAS/USDA Market Promotion Programs and Activities:

AgExport Services Division
Room 4939
14th and Independence, SW
Washington, DC 20250
Tel: (202) 720-6343; Fax: (202) 690-0193

FAS Website: www.fas.usda.gov

For Trade Policy/Market Access Issues, General Information on the Armenian Agricultural Sector, etc:

Allan Mustard, Minister-Counselor
Office of Agricultural Affairs
American Embassy
Bolshoy Devyatinskiy Pereulok 8
121099 Moscow, Russia
Tel: 7 (095) 728-5222; Fax: 7 (095) 728-5133 or 728 5102
E-mail: agmoscow@usda.gov or agmoscow@corbina.ru

USDA Marketing Assistance Program in Armenia
Jeffrey Engels, Director
74 Teryan Street
Yerevan, Armenia 375009
Tel: (3741) 56-00-14
Fax: (3741) 58-79-28
Email: map@usda.am
www.usda.am

USDA/FAS AND ATO SERVICES

The Foreign Agricultural Service and the Agricultural Trade Office/Moscow offer a variety of programs, services, and information resources to help U.S. exporters of food, beverage, and agricultural products learn more about the Russian market, establish initial contact with Armenian buyers, and promote their products in the local market. Following is a partial listing of programs and services.

Trade Leads are direct inquiries from Armenian buyers seeking U.S. sources for specific food, beverage, or agricultural products. U.S. companies can receive these Trade Leads by contacting the AgExport Services Division, FAS/USDA or by visiting the USDA/FAS Homepage (see contact information above).

Buyer Alert is a bi-weekly publication providing information on specific food, beverage, and agricultural products offered by U.S. exporters. U.S. companies may place ads in Buyer Alert by contacting the AgExport Services Division, FAS/USDA (see contact information above).

U.S. Supplier Lists are drawn from an extensive database of companies that can supply a wide range of U.S. food, beverage, and agricultural products. The ATO Moscow supplies these lists to Armenian importers on request. U.S. companies that wish to be included in this database should contact the AgExport Services Division, FAS/USDA (see contact information above).

Foreign Buyer Lists are drawn from an extensive database of Armenian importers dealing with a wide range of food, beverage, and agricultural products. U.S. companies can order these lists through the AgExport Services Division, FAS/USDA (see contact information above).

The ATO/Moscow also coordinates U.S. participation in local trade shows, sponsors supermarket and menu promotions, provides support for trade missions, and can help arrange appointments for first-time visitors to Armenia. For more detail on these and other programs or activities, please contact the ATO/Moscow (see contact information above).

The USDA/FAS website is an excellent source of information on other USDA/FAS export promotion/assistance programs, such as the Market Access Program (MAP) and Credit Guarantee Programs, as well as a wide range of information and reports on market opportunities for U.S. food, beverage, and agricultural exports world -wide.

OTHER MARKET REPORTS

Reports on the Armenian food and agricultural market are also available on the FAS website. U.S. exporters may also contact ATO/Moscow for copies of these reports (see contact information at the beginning of this section).

OTHER USEFUL CONTACTS:

The ATO/Moscow works with a large number of U.S. industry organizations, some of which have local offices to assist U.S. exporters of these food and agricultural products:

U.S. Poultry and Egg Export Council (USAPEEC)
Petrovskiy Bulvar, 15, Stroyeniye 1
127051 Moscow, Russia
Tel.: 7 (095) 980-6140; Fax: 7 (095) 980-6141
E-mail: usapeec@usapeec.ru

U.S. Meat Export Federation (USMEF)
9th Floor, Business Center, Leninsky Prospekt, 2
117049 Moscow, Russia
Tel: 7 (095) 239-1578; Fax: 7 (095) 230-6849
E-mail: Moscow@usmef.org

U.S. Wheat Associates
Ul. Petrovka, 27, Stroyeniye 2, Entrance 3
107031 Moscow

Tel: 7 (095) 956-9081
Fax: 7 (095) 956-9080
E-mail: uswmow@dol.ru

U.S. Grains Council (USGC)
Denezhniy Pereulok, 7, Bld. 2
103051 Moscow, Russia
Tel: 7 (095) 795-0662; Fax: 7 (095) 795-0663
E-mail: fgcmow@online.ru

Pear Bureau Northwest
Ul. Nekrasovskaya, 88 A, 4th Floor, Office 302
690002 Vladivostok, Russia
Tel/Fax: 7 (4232) 53-22-36
E-mail: katerina@newmark.ru

California Almond Board
Ul. Yefremova, 18, Bld. 41
119048 Moscow
Tel/fax: 7 (095) 246-0359
E-mail: Irina.Koziy@mail.ru

American Soybean Association
Bolshoy Cherksskiy Per., 15, Office 323
109012 Moscow
Tel/fax: 7 (095) 925-4349
E-mail: soyaru@rol.ru

California Wine Institute
35, Perovskiy Proyezd
111024 Moscow
Tel/fax: 7 (095) 787-7750, 787-7758
E-mail: dc_wines@mail.ru

Pet Food Institute
4, Ul. Pudovkina
119285 Moscow
Tel: 7 (095) 145-0308
Fax: 7 (095) 937-9618
E-mail: agerman@globalworks.ru

Renderers
82, Vernadskogo Avenue
119571 Moscow
Tel/fax: (7-095) 434-9114
E-mail: lischenko@ane.ru

An additional resource on Armenian agriculture is:

List of associations and Government agencies:

Ministry of Agriculture, Davit Lokian, Minister, 48 Nalbandyan Street, Yerevan-375010, Tel: (374-1) 524-641, Fax: (374-1) 151-583; www.minagro.am.

Ministry of Trade and Economic Development; 5 Hanrapetutyan St., Yerevan 375010: Tel: (374-1) 538-082, Fax: (374-1) 588-321, 151-081; www.minted.am.

State Quality Inspectorate under the Ministry of Trade and Economic Development; e-mail: armstandard@sarm.am, press@sarm.am;